

# **Fiscal Services Division**

## **Legislative Services Agency**

### **Fiscal Note**

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SF 2416 – Employee Classification & Wage Law (LSB 6589 SV.1)

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Fiscal Note Version – **REVISED**

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#### **Description**

Senate File 2416 creates Chapter 91G, Code of Iowa, and relates to the classification of individuals as employees or independent contractors. The Labor Commissioner of the Iowa Department of Workforce Development (IWD) is required to investigate alleged violations, enforce the provision of the new Chapter, and requires the Department to file an annual report pertaining to administration. The Bill establishes civil penalties and specifies actions that are to be considered simple, serious, or aggravated misdemeanors.

The Bill takes effect January 1, 2009.

#### **Assumptions**

- The average State cost for one aggravated misdemeanor ranges from \$2,200 (court costs and probation) to \$6,800 (court costs with a jury, prison, parole, and indigent defense). Costs will be incurred across multiple fiscal years while the offender is supervised in the correctional system, either in prison or the community.
- The average State cost for one serious misdemeanor conviction ranges from \$120 (court costs) to \$5,600 (court costs including a jury, indigent defense, and prison). The maximum costs will be incurred across multiple fiscal years while the offender is supervised in the correctional system, either in prison or the community.
- The average State cost for one simple misdemeanor conviction ranges from \$20 (court costs) to \$320 (court costs and indigent defense).
- Tax and benefit rates will be similar to established construction firms.
- There will be 10,000 additional construction workers covered under unemployment insurance.

#### **Correctional Impact**

Senate File 2416 specifies actions that are to be considered simple, serious, or aggravated misdemeanors. Since the changes are not closely related to existing offenses, the correctional impact of this new offense can not be determined.

#### **Fiscal Impact**

Sufficient data is not available to provide an estimate on any changes in the payment of withholding taxes, or the payment of penalties, that would be brought about by SF 2416.

The IWD expenses for administering the rules pertaining to an individual's employment status will increase General Fund expenditures by an estimated \$830,000 and 8.0 FTE positions for FY 2009 and \$755,000 and 8.0 FTE positions annually for FY 2010 and subsequent years.

The addition of an estimated 10,000 workers to the unemployment insurance system will decrease the Unemployment Insurance Trust Fund balance by an estimated \$200,000 for FY 2009 and \$400,000 for FY 2010 and subsequent years for the increase in Trust Fund revenue and the increase in the payment of benefits. The additional expenses for the IWD for the increased unemployment insurance workload will be an estimated \$281,000 and 4.0 FTE positions for FY 2009 and \$266,000 and 4.0 FTE positions annually for FY 2010 and subsequent years. The increased staff costs will be paid from the General Fund.

## **Sources**

Department of Human Rights, Criminal and Juvenile Justice Planning Division (CJJP)  
Department of Inspections and Appeals  
Iowa Department of Workforce Development  
Iowa Department of Transportation  
Department of Revenue

/s/ Holly M. Lyons

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The fiscal note and correctional impact statement for this bill was prepared pursuant to Joint Rule 17 and pursuant to Section 2.56, Code of Iowa. Data used in developing this fiscal note and correctional impact statement are available from the Fiscal Services Division, Legislative Services Agency to members of the Legislature upon request.

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